

Memorandum

*Flex your power!
Be energy efficient!*

To: BEN RAMIREZ
Deputy District 8 Director (Acting)
Maintenance

Date: April 14, 2008

File: P3030-638

Original Signed By

From: GERALD A. LONG
Deputy Director
Audits and Investigations

Subject: District 8 Maintenance Review

Attached for your information is Audits and Investigations' (A&I) final report for District 8's Maintenance Review. This review was performed as a management service for your consideration in your oversight role of the Maintenance and Operations Unit.

We thank you and your staff for its assistance during our review. A&I's review is an independent internal review intended to provide you with feedback for your management's consideration.

If you have any questions or need additional information, please call Laurine Bohamera, Chief, Internal Audits, at (916) 323-7107, or me at (916) 323-7122.

Attachment

c: MPerovich, District Director, D8
KMatsuoka, Maintenance Manager II, D8
DLambert, Maintenance Manager II, D8
JRogers, Maintenance Manager I, D8
CEllick, Regional Administrative Officer, D8

P3030-638
District 8 Maintenance Review
April 2008

Gerald A. Long
Deputy Director
Audits and Investigations
California Department of Transportation

DISTRICT 8 - MAINTENANCE REVIEW

SUMMARY

Audits and Investigations (A&I) has completed a maintenance review of District 8 (District). The purpose of the review was to assess whether accounting and administrative procedures were being followed, fiscal data was entered properly into the accounting system, and that proper measures were in effect to safeguard the Department of Transportation's (Department) assets. The review was performed as a management service for your consideration in your oversight role of the Maintenance and Operations Unit.

Our examination of the accounting records and control procedures was based on the District's compliance with the Department's Accounting Manual, State Administrative Manual (SAM), and departmental policies and procedures. The scope of our review covered personnel time and payroll records, overtime and warrant distribution procedures, petty cash, damage reports, and other records and tests as deemed necessary.

Our review disclosed that the accounting records and control procedures followed by the District 8 Maintenance and Operations Unit were generally in compliance with the Department's Accounting Manual, SAM, and departmental policies and procedures, except as follows:

- Weakness in Compliance with Home Storage Permit Guidelines
- Weakness in Overtime Documentation
- Bulk Fuel Variances
- Untimely Validation of Accident Damage Reports
- CAL-Card Deficiencies

OBJECTIVES

The objectives of the maintenance review were to assess whether accounting and administrative procedures were being followed, fiscal data was entered properly into the accounting system, and proper measures were in effect to safeguard the Department's assets.

SCOPE AND METHODOLOGY

The scope of our review included personnel time and payroll records, overtime and warrant distribution procedures, petty cash, purchases, damage reports, and other records and tests as deemed necessary. Our review did not include a review of cookhouses and bunkhouses, as none exist in this District. Our methodology consisted of interviewing personnel, reviewing records, and performing other analytical procedures and tests as we considered necessary.

The period of the review focused on District transactions and operations from July 1, 2006, through June 30, 2007.

DISTRICT 8 - MAINTENANCE REVIEW

RESULTS

The maintenance review disclosed that District 8 Maintenance and Operations Unit followed accounting and administrative procedures, entered fiscal data properly into the accounting system, and took proper measures to safeguard the Department's assets. However, we identified the following deficiencies where internal controls can be improved:

- Weakness in Compliance with Home Storage Permit Guidelines
- Weakness in Overtime Documentation
- Bulk Fuel Variances
- Untimely Validation of Accident Damage Reports
- CAL-Card Deficiencies

For detailed information, please see the Attachment.

We hope this review proves useful in your oversight role of the District 8 Maintenance and Operations Unit. If you have any questions, please contact Laurine Bohamera, Chief, Internal Audits, at (916) 323-7107.

Original Signed By

GERALD A. LONG
Deputy Director
Audits and Investigations

August 10, 2007
(Last Day of Field Work)

Attachment

Audit Team:

Ken Craig, Chief, Internal Audits
Juanita Baier, Audit Supervisor
Dawn Beyer, Auditor
Mohammad Eslamian, Auditor

DISTRICT 8 - MAINTENANCE REVIEW

ATTACHMENT

Finding 1 – Weakness in Compliance with Home Storage Permit Guidelines

Background:

A Home Storage Permit (HSP) must be obtained when a State-owned vehicle is stored at an employee's home or in the immediate vicinity of the home for more than 72 nights over a 12-month period, or more than 36 nights over a 3-month period. The Division of Equipment coordinates the statewide home storage permit program and provides forms and instructions upon request.

Issue:

We reviewed eight HSPs and found the following:

- Four HSP holders did not maintain the Monthly Logs of Required Trips.
- One HSP had expired.
- Two HSPs were missing the expiration dates.
- All eight HSPs did not have an Agency Permit Number.

According to the Caltrans Regional Administrative Officer Manual, Section 8.05, Individuals who have home storage permits must complete the Log of Required Trips each month. In addition, the Vehicle HSP Guide, issued in December 2005, states "all HSPs must be renewed annually on the date of initial issue."

The District does not fully enforce HSP Guideline requirements, and some employees were not aware of all the requirements.

The District's inability to follow HSP Guideline requirements increases the risk of losing control over proper use of its vehicle fleet. In addition, using State-owned vehicles and not following HSP Guidelines may be considered or projected as a public image of misuse of the State vehicle. It is very important to maintain proper HSP documentation because the Department has received many complaints that Department employees are utilizing State vehicles for personal use.

Recommendation

We recommend that District 8 maintenance management ensure compliance with Vehicle HSP Guidelines by:

- Ensuring HSP holders submit the monthly logs of required trips.
- Reviewing and evaluating all HSPs issued and determining appropriate needs and use.

- Performing a periodic review of the HSPs as outlined in the HSP Guidelines to determine the necessity of the permit for the job assignment.
- Ensuring all HSPs are current and have not expired.

Finding 2 – Weaknesses in Overtime Documentation

Background:

The Department uses overtime to accomplish planned and emergency work in order to maintain safe conditions for the public and employees. Overtime can be either planned, requiring management's prior approval, or unplanned, requiring post-approval. Planned overtime is anticipated overtime that is scheduled past normal operating hours based on management's direction. Unplanned overtime is mainly due to emergencies.

Issue:

We reviewed timesheets for 20 employees and found that 18 employees worked overtime for the month selected for review. Of the 18 employees that worked overtime, none of the employees had written approval by a supervisor for the overtime hours reported.

Caltrans Deputy Directive (DD-56), issued on August 18, 2000, states, "Supervisors ensure compliance with all overtime rules and procedures, ensure pre-approval of non-emergency overtime, provide adequate supervision for employees working overtime, and verify that overtime was worked as recorded and met the requirements of the FLSA and applicable MOUs. Supervisors also ensure that overtime documentation is present before approving timesheets which report overtime, and retain overtime documentation for two years." In addition, the State Administrative Manual Section 8540 – Overtime, states, "care should be exercised in recording the overtime hours on the monthly attendance reports and overtime records of the employing State agency."

The District does not require any documented approval for overtime hours worked, either planned or emergency. At the time of the review, the regional manager had only been in this position for approximately four months. The prior manager had no procedures in place to account for overtime hours.

Not enforcing the requirements for overtime documentation puts the Department at greater risk that unauthorized or unnecessary overtime would go undetected. Due to past media scrutiny of public employees overtime charges, it is important that the Department properly approve, control, and document its overtime usage.

Recommendation

We recommend that District 8 maintenance management comply with DD-56 by requiring that overtime be pre-approved when it is planned, or post-approved when it is an emergency. In addition, overtime hours should be properly documented.

Finding 3 – Bulk Fuel Variances

Background:

District 8 Maintenance and Operations Unit has 14 bulk fuel sites throughout the District. All 14 locations have diesel fuel; however, only 11 of the locations have gasoline. The bulk fuel process is electronically tracked (automated EJ Ward system) in Sacramento by the Division of Maintenance, Office of Emergency Management (OEM).

On the automated system, monthly Tank Level Sensor (TLS) reports are produced to compare calculated ending inventory balances to sensor readings on the tank. Discrepancies are currently not investigated by OEM. Each fuel site prepares a monthly Recapitulation of Bulk Fuel, Form FA-0095, to compare fuel amounts. In addition, the District is required to investigate variances in excess of two percent with corrective action taken, if necessary.

Issue:

We reviewed all of the Recapitulation Forms (Form 95) for the 14 fuel locations over a 12-month period. There were 168 recapitulation opportunities and 52 (31 percent) of them had variances exceeding the allowable two percent. Ten fuel locations had excessive variances for the 12-month period and four locations had no excessive variances. We found 28 variances exceeding the allowable two percent in diesel tanks, and 24 with variances exceeding the allowable two percent in gasoline tanks.

We found a few instances where the District identified that fuel was stolen and a police report was filed. The District stated that the fuel sites do dipstick checks when the Form 95 is prepared. However, we did not find evidence that the District investigates variances.

The Department's Policy and Procedure 83-2 requires that overages/shortages exceeding the two percent allowable variance be investigated and corrective action taken. In addition, it requires that dipstick checks of all tanks be made monthly and, if inventory problems occur, that a daily dipstick check be considered.

State Administrative Manual Section 20050 requires that State entities establish and maintain internal and administrative controls to ensure the proper safeguarding of assets. With the continuous budget constraints, we must be fiscally prudent. We need to control our costs. As such, we need to prudently monitor the access and use of our energy resources to prevent unauthorized usage.

Recommendation

We recommend that the District investigate and resolve variances in excess of two percent for all fuel tanks.

Finding 4 – Untimely Validation of Accident Damage Reports

Background:

Damage to the State Highway System is recorded in the Integrated Maintenance Management System (IMMS) by supervisors or superintendents. When the responsible party is known, a Service Request, Accident Log, and Work Order(s) are created in IMMS. Once an accident number is assigned, the cost of the repair can be monitored. After all work orders are completed, the regional office validates the damage report and submits it to the Division of Accounting, Office of Accounts Receivable, Systems and Administration for billing the responsible party. In District 8, the Maintenance Support Unit handles the damage claim process.

Issue:

We reviewed nine Damage Claim packages and found that four of the computer generated accident reports were validated after 90 days. The validations took 100, 104, 179, and 262 days.

The Traffic Collision Report (police report) often takes longer than 90 days to get to the District's Maintenance Support Unit. The Maintenance Support Unit personnel are unable to validate the accident report until they receive the police report. The last page of the Traffic Collision Report enables Caltrans to collect for the damage.

The Maintenance Manual, Section 1.12.3 states that every effort should be made to complete the Damage Reporting process within 90 days. In addition, according to the Damage Reports Project Status Memorandum, dated August 29, 1996, "Establishment of timeframe: Sets 90 days as time limit (from the accident date to billing)."

Delinquency in the receiving of the Traffic Collision Reports slows the identification of the responsible party and hinders the tracking of the cost of repairs. In turn, this delays the validation of the damage reports by the regional office. Consequently, the untimely receipt of these reports delays the Department's ability to collect for the damage. This could result in diminished cost recovery for the Department.

Recommendation

We recommend that District 8 maintenance management work with its local law enforcement offices to develop a process for obtaining Traffic Collision Reports in a timely manner so that the validation process can be performed within the required 90 days.

Finding 5 – CAL-Card Deficiencies

Background:

CAL-Cards are used widely throughout District 8 as an alternate means of procuring goods and services, with delegation of authority passed from Division of Procurements and Contracts (DPAC) to the approving officials (AOs). Cardholders are assigned to an AO who reviews and approves the cardholder's purchase. The cardholder is responsible for submitting a completed Statement of Account (SOA) Package to DPAC. Maintenance may make purchases for necessary items using CAL-Cards.

Issue:

We reviewed 20 CAL-Card SOAs and the corresponding Purchase Requests (PR) and found that some were incomplete as follows:

- Twenty SOA packages had the PR prepared after the product/service was received.
- Seven of the SOA packages lacked a justification statement.
- Sixteen of the SOA packages did not have a signature in the "received by" signature block of the form.

It appears that the PRs were not carefully reviewed for completeness. Additionally, without a justification statement and the signature of the person receiving the goods/services, the District loses accountability for the goods/services it purchases and the risk of potential of loss, theft, or misappropriation of State resources increases.

The CAL-Card Handbook, Section 3.1.3 Receiving/Acceptance, requires the cardholder to fill in the "Date Received" and "Received by Signature" areas in Purchase Card Accounting and Requisition System and on the hard copy of the PR form. Requiring a justification statement on the PR is a good administrative control and would prevent unauthorized or unnecessary CAL-Card purchases to go undetected.

Recommendation

We recommend that District 8 management enforce the CAL-Card requirements, including ensuring that PRs are properly reviewed, signed, and dated when goods are received.